RESOLUTION NO. RS2019-1610 (KINDALL, MENDES, & OTHERS) – This resolution would authorize the Metropolitan Development and Housing Agency (MDHA) to enter into an agreement to accept payments in lieu of taxes (PILOT) for a multi-family housing project known as 26th and Clarksville, located primarily at 2707 Clarksville Pike.

Beginning in 2015, following changes in state law, Ordinance Nos. BL2015-1281, BL2016-334 and BL2016-435 authorized MDHA to negotiate and accept PILOT payments from operators of low income housing tax credit (LIHTC) properties, capped at $2,500,000 annually. If approved, this would be the fourteenth such PILOT program overall, and the first for MDHA in 2019, totaling $33,749 in tax abatements this year.

PILOT agreements essentially provide tax abatements for real and/or personal property taxes that would otherwise be owed to the Metropolitan Government. PILOTs have previously been utilized by Metro to provide incentives through the Industrial Development Board (IDB) to large employers to create job opportunities. Under Tenn. Code Ann. § 13-20-104, MDHA now has the authority to enter PILOTs to create affordable rental housing.

MDHA developed their PILOT program to provide additional financial incentives to developers considering construction or rehabilitation of affordable housing units through a federally funded Low Income Housing Tax Credit (LIHTC) program. Subsidized LIHTC developments serve those at or below 60% of the average median income (AMI) for the Nashville area, which translates to an income cap of $31,500 for individuals and $44,940 for families of four in 2018. Once negotiated by MDHA, each PILOT agreement must be approved by the Council by resolution.

The maximum term for the PILOT payments under this program is 10 years. The PILOT agreement would only be available for additional tax liability over and above the pre-development assessed value of the property. The program is available for both existing and new developments, based on financial need. The PILOT lease is to be terminated if the property sits vacant for two years.

MDHA is required to file an annual report with the Council, Assessor of Property, and State Board of Equalization identifying the values of the properties subject to PILOTs, the date and term for each PILOT, the amount of PILOT payments made, and a calculation of the taxes that would otherwise be owed.

2125 26th Ave N Holdings LP has proposed that an apartment project consisting of approximately 55 units restricted to seniors earning no more than 60% of the Area Median Income (AMI) be constructed on the project site and operated as a LIHTC Property.

The application for this project, as well as the associated PILOT agreement, have been approved by the MDHA Board of Commissioners.

The Planning Commission recommended approval of this project on January 11, 2019, advising that the project is consistent with T4 Urban Mixed Use Corridor policy in this location.

Fiscal Note: This PILOT request would require the developer to make a first-year payment of $37,000 in lieu of property taxes, with a 3% annual increase through the remainder of the 10-year period.

In addition to the PILOT payments, the developer would be required to pay a monitoring and reporting fee to MDHA. This fee would be set by MDHA not to exceed five percent (5%) of the amount of the PILOT payment due each year.

The final assessed value of this project will not be known until completion. However, the value of the project when completed is estimated to be $5,606,069. For purposes of this analysis, this number can be used as a reasonable estimate of the final project value.

Over the 10-year life of this PILOT agreement, a total of $283,323 would be abated, although Metro would still receive $424,163 in property taxes from this project, as depicted in the following table:

Real Property Tax

Year	Total Value	Standard Tax	Still Pay	Abatement	Abatement %
1	$5,606,069	$70,749	$37,000	$33,749	47.7%
2	$5,606,069	$70,749	$38,110	$32,639	46.1%
3	$5,606,069	$70,749	$39,253	$31,496	44.5%
4	$5,606,069	$70,749	$40,431	$30,318	42.9%
5	$5,606,069	$70,749	$41,644	$29,105	41.1%
6	$5,606,069	$70,749	$42,893	$27,856	39.4%
7	$5,606,069	$70,749	$44,180	$26,569	37.6%
8	$5,606,069	$70,749	$45,505	$25,244	35.7%
9	$5,606,069	$70,749	$46,870	$23,879	33.8%
10	$5,606,069	$70,7499	$48,277	$22,472	31.8%
Totals		**$707,486**	**$424,163**	**$283,323**	**40.0%**

After the property tax abatement from this project, $2,466,251 would still be available within MDHA's annual cap of $2.5 million for other PILOT projects in 2019.